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Council of Economic Advisers

4 December 1958

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Comments on Aspects of Two Talks

25X1X6

25X1X61. Your memoranda describing your conversations with Mr. [REDACTED] were read here with lively interest. A memorandum was prepared by the Chief of our USSR Branch dealing in part with his reactions to your notes which I think may be of interest to you. These comments were submitted to me several weeks ago and through inadvertence have been delayed on my desk. Nevertheless, 25X1X6 since you expect to see Mr. [REDACTED] again, I am taking the liberty of passing them along. The following paragraphs convey the substance of the comments.

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2. "We are familiar with [REDACTED] published position in the price controversy and would be interested if he could inform us as to what he imagines to be the likely resolution of the 'law of value' and the operational reforms in Soviet pricing procedures resulting from the extended interchanges of views among Soviet economists.

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3. [REDACTED] statement that 'The heart of the difficulty, in the pricing of producer goods, was the failure to make adequate allowance for capital costs' is provocative, but vague. The only standard he mentions is a proper relationship between internal and external prices. What suggestions would he have for relating internal prices more realistically to costs? Perhaps introduction of the role of the interest rate would be relevant at this point.

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4. "In a similar vein [REDACTED] indicated that Soviet overtures for purchases of chemical equipment in the United States were prompted by their limited domestic machinery production capacity and by their desire to obtain the equipment quickly. His suggestion of the time factor might be also related to a discussion of interest as the real cost of waiting.

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5. "Since [REDACTED] is pre-eminent to our knowledge, among Soviet economists who have published on both the external and internal aspects of the Soviet economy, it might be appropriate to elicit his

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SUBJECT: Comments on Aspects of Two Talks

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views on the function of international trade in an economic system of the Soviet type. It would be interesting to ascertain the degree to which orthodox autarkic beliefs are tempered in his case by an awareness of comparative cost criteria."

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OCh/E/RR [REDACTED] 1958 (4 December 1958)

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